Texas Party Leader Quits Under Fire

By Tony Castro
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AUSTIN, TEX., Oct. 11—Dr. Elmer C. Baum, who has been under fire for making $62,500 in quick profits from stock transactions, resigned today as chairman of the Texas Democratic Party.

In letters to Gov. Preston Smith and to the 62 members of the State Democratic Executive Committee, Baum said he was quitting to devote more time to "personal and business commitments."

Baum, 59, whose resignation has been rumored for months, said he had planned to resign earlier this year but "the events of recent months and the accompanying criticism" caused him to wait until "the situation was resolved."

Baum said he now feels exonerated by the Travis County grand jury which last month indicted House Speaker Gus F. Mutscher Jr. and three others in connection with a Securities and Exchange Commission stock fraud civil suit.

Baum and Smith have acknowledged SEC allegations that they made $62,500 each off quick buy-and-sell transactions in National Bankers Life Insurance stock with unsecured loans from Sharpstown State Bank of Houston. National Bankers Life now is in receivership, and the bank is defunct.

Both Baum and Smith, however, have denied any wrongdoing in the SEC case.

The SEC alleges that the Baum-Smith deal came at a time when Houston financier Frank W. Sharp was seeking legislative approval of two bills that would have allowed state banks to sidestep supervision of the Federal Deposit Insurance Corporation.

The bills won quick approval in a special session of the 1969 Texas Legislature to which Smith had submitted the measures. Later, Smith vetoed the bills. Baum already had ordered most of their National Bankers Life stock sold at a profit.

In its civil suit, the SEC alleges that Sharp manipulated stock and arranged the profits in exchange for favorable action on the bills.

Sharp pleaded guilty this summer to two federal felony charges in connection with the case. He was sentenced to a $5,000 fine, three years' probation and was granted immunity from further prosecution in return for his testimony for the government.

Baum, Smith's personal physician, business partner and long-time political ally, reportedly had been prodded to resign by the governor last May. Smith has denied the reports. He was in West Texas today and not available for comment.

Smith reportedly hopes to replace Baum with Austin lawyer-lobbyist Ed Clark, former ambassador to Australia.

Meanwhile, there are reports that Lt. Gov. Ben Barnes, Smith's rival for party control and a challenger for next year's gubernatorial race, wants Austin lawyer Larry Temple—a White House aide to former President Lyndon B. Johnson—as the new party chairman. Temple reportedly also has the backing of U.S. Sen. Lloyd M. Bentsen (D-Tex.) and Treasury Secretary John Connally.

Baum's successor will be selected by the 62-member state committee, although Smith, as the man who appointed many of the members, exerts considerable influence.

Thieves Considerate

SAO PAULO, Oct. 11 (AP)—Brazilian taxi driver Jose Vitor Vilella, 30, said thieves held him up and stole his day's earnings and his car, but left him a dollar to take a cab back to the center of town.